



Government of
Saskatchewan

Challenges and Opportunities The Saskatchewan Perspective

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November, 1983
Submission to the Royal Commission on the Economic Union
and Development Prospects for Canada

CHALLENGES AND OPPORTUNITIES

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GOVERNMENT OF SASKATCHEWAN

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ROYAL COMMISSION ON THE ECONOMIC UNION
AND DEVELOPMENT PROSPECTS FOR CANADA

Wednesday, November 23, 1983
Regina

Mr. Chairman, Royal Commissioners, Ladies and Gentlemen:

On behalf of the Government and people of Saskatchewan,
I welcome you to our province and to Regina.

I am sure that many of you have visited us before, and we
hope that you will again before your work is completed. In your
visits to Saskatoon in the last two days and to Regina today and
tomorrow, I hope that you develop an understanding of the
challenges and opportunities in our province, and our enthusiasm
for getting on with the job.

MANDATE
OF
ROYAL
COMMISSION

Let me begin with the mandate of your Commission. Of the two broad aims---national goals and policies on the one hand, and institutional and constitutional change on the other---we place the greater priority on the former. We believe, as you do, that Canada is at an economic crossroads. We must think about where our country is going, the challenges we are presently facing, and the opportunities that these challenges offer us. These issues are of vital concern to the Government of Saskatchewan and to the people of our province, and we are anxious to work together to improve the vitality of our economy.

On the other aspect of your mandate, the development of appropriate institutional and constitutional arrangements, I will have relatively little to say in my presentation today. Simply put, my priorities suggest that we, as Canadians, must focus our attention upon the decisive economic factors which have, and will, determine the shape of the Canadian and Saskatchewan economies.

You should not interpret our silence on the constitutional aspect of your work to mean that we do not believe that these are vitally important issues for the future of our country. We are deeply concerned that improved mechanisms be found for the sharing of power and responsibility in Canada, and we know that solutions in this area are important to the effective functioning of our economy and our society.

My presentation today is a general statement of our government's view of the important economic opportunities and challenges which face our country and province. As your work progresses, I would welcome another occasion on which we could discuss some of these issues in more detail.

WEALTH
OF
RESOURCES

Saskatchewan is blessed by vast wealth in human and natural resources. We have an industrious and well-trained population. In agriculture, our grain and livestock industries offer opportunities for substantial growth. Our major natural resources---oil, natural gas, potash and uranium--- are important contributors to Canada's economic health. The opportunities for diversification to some more value-added activity provided by our strong resource base offer further potential for growth and jobs.

The issue, Mr. Chairman, is not the availability of opportunities---we have these in abundance.

Rather, the challenge is how we are to build on our strengths. How can we build an economy that brings us growth, jobs and prosperity? How shall we work together to develop our province's and our country's rich inheritance? There is no shortage of possibilities, but to realize our potential we must have the will and the commitment to join together to build on our strengths and overcome our weaknesses.

RECENT
ECONOMIC
DEVELOPMENTS

I would like to set the stage for our discussion by describing some of the recent economic developments in Saskatchewan. It is important that you understand our immediate economic concerns and the approaches we have taken to solve some of these problems.

My over-riding interest is to get the economy moving again, to create more jobs and opportunities for investment and productive activity, and to keep the economy thriving.

Since taking office in April, 1982, measures to create jobs and economic growth in Saskatchewan have been a primary focus of our government. Our principal objective has been to create a positive attitude toward economic growth, the role of the private sector and the fundamental importance of new business investment. We have encouraged job creation in the private sector with targetted tax credits and other measures that increase economic activity by building on our strengths. Our oil royalty modifications and our small business employment tax credit have helped to create thousands of private sector jobs. New economic activity and more new jobs will continue to be a fundamental objective in Saskatchewan's economic and budgetary planning.

One major concern about the current state of the economy is the high level of interest rates. While nominal rates have fallen dramatically, real interest rates remain high, are inhibiting new investment, and could impair the recovery.

SIZE
OF
GOVERNMENT

A partial answer to high interest rates, as far as Canada is concerned, is for governments to keep their deficits below the level that produce expectations of greater inflation or crowd out the private sector from access to savings.

However, let me be very clear that I am not proposing a radical elimination of deficits at any cost.

Some programs are addressed to the very problems that could impede our future economic growth---we need improved research and development capacities, new technology exploitation, manpower training programs, agricultural expansion, and so on. Other programs are society's safety nets---health, social services, income maintenance, and retraining. We are committed to these programs and to the

philosophy that governments must assist those who are unable to fend for themselves. Equally, we cannot accept abuse of our social programs.

Our approach in Saskatchewan during the last two budget cycles has been to take a very hard look at government expenditures. We have explored carefully those areas where efficiencies could be captured, or where programs could be safely and fairly curtailed.

As a result of this careful appraisal, provincial government expenditures in Saskatchewan are planned to increase this year by only 6.9 percent. However, our safety net programs have expanded at a greater rate; it has been appropriate to expand these in difficult economic times. Programs which address the major structural problems---training, technology, and resource development---have also expanded at more than the rate of inflation. To accomplish this we have had to constrain other government programs to well below the rate of inflation, and in some cases to eliminate lower priority activities.

The objective of this fiscal policy is to reduce the relative size of government as the economy improves, and to lessen the demands by governments upon the financial markets.

When we were elected in April, 1982, we succeeded a government which assigned little importance to the private sector. It sought to manage the economy by direct government intervention through a number of government-owned Crown corporations established to operate in particular industries.

Our government has a different view of the role of the private sector. We believe that private initiative is the most effective source of new enterprise, of innovation, and of capital investment. Therefore, we are pursuing a mix of the public and private roles which leaves to the private sector those things which it can do well and has the incentive to do. We are working actively to create an environment which enhances the private sector's opportunities and willingness to take initiatives.

CROWN
CORPORATIONS

As the Commissioners will be aware, Saskatchewan has a relatively large Crown corporation sector active in the provincial economy. Our government accepts that public enterprise has an important and useful role to play in the economy. But that role should not place Crown corporations in a position where they come to frustrate or interfere with the normal activities and intentions of the private investors and businesses in our country, nor should they serve as an excuse for unacceptably poor performance.

Crown corporations are instruments both of public policy and for commercial investment. They should be used to undertake directly activities which will demonstrably strengthen the economy only where the private sector is unwilling or unable to do so. Aside from that central focus, they also have a role to play in supporting and reinforcing the activities of the private sector, such as in joint ventures where public participation can accelerate the pace of development or encourage new private investment. I recognize as a special case the monopoly utility Crown corporations, charged with providing high quality essential services at reasonable cost.

The economic situation is not yet at a point where we are entirely happy with it, but we are making good progress.

The economic indicators in Saskatchewan are among the best in Canada, and we continue to be optimistic that we can move toward our goal of a highly prosperous, stable, and productive provincial economy.

STRUCTURAL
ECONOMIC
ISSUES

While improving our immediate economic performance is important, there are fundamental economic problems beyond the near term which confront Canada. Facing up to these deficiencies in our economy, and working together to overcome them, is something we must all take seriously.

The Canadian economy has had significant problems in recent years because of a combination of factors. Some of the economy's weak performance arises from the working of cyclical influences in the economy. However, these cyclical forces are just part of the story. The other parts are the declining competitiveness of our economy and the inappropriate size and direction of government in our economy.

To ensure a prosperous economic future we must develop a comprehensive view of what that future can be, and we must determine how we are going to compete effectively in a very different economic world. I expect that the conclusions of this Royal Commission will provide a valuable contribution to this reassessment.

Nevertheless, we do not have the luxury of waiting for the findings of any single group, however insightful we may hope those findings will be. The issue of the structural redesign of the Canadian economy is of pervasive importance. It must be the subject of continuing work by a wide variety of people from all parts of Canada.

While I recognize the danger involved in simplifying any description of the international market place, I see
INTERNATIONAL fundamental changes underway. The actors in, and the
COMPETITION composition of, world trade are changing at a dramatic pace. The role of the Pacific Rim countries in the "smokestack" industries, and the increasing trade in services and "intelligence" are examples of this evolution. As well, Canada's competitiveness has suffered to the point that we are losing some of our traditional markets.

These are the facts and we cannot simply ignore them or turn back the clock. We must recognize that many of the markets in which we did so well in the past are not necessarily the markets on which we should concentrate in the future. We must accept this international challenge.

Canada's international competitiveness must be improved. We must do this by raising our productivity in existing industries and by finding new areas of economic activity in which we can function efficiently and profitably. Indeed, there must be fundamental alterations to our economy, and they must include:

- ... the economic infrastructure and environment that underlie our economy;
- ... the goods and services on which we concentrate our productive capacity;
- ... the skills with which our labour force is equipped;
- ... the ease with which labour can move from one type of employment to another;
- ... the role, performance and financing of the public sector;
- ... the way in which our enterprises are managed;
- ... the incentives that Canadians face to save and to invest in new productive capacity; and,

... the attractiveness of Canada as an economy for people from abroad to invest in and do business with.

In short, Mr. Chairman, our industries must be profitable, even more so than other nations, or we will fall behind.

Not only must we examine the prospects for particular industries, but we must focus on the economic infrastructure---transportation, communications, training and so on---which will be necessary to support future economic activity.

We must ensure that we produce a mix of goods and services appropriate to our resources and competitive capacities and to market imperatives. Changing our national output requires a national research and development effort so that all regions can develop new products and technologies, and more importantly, adapt technologies developed elsewhere to Canadian circumstances and diffuse them throughout our economy.

Producing the right mix of products and services requires, above all else, that our population be well trained for the requirements of years to come. They must have the appropriate skills; mechanisms must exist to upgrade or provide new skills to people as economic circumstances change.

ROLE
OF
GOVERNMENT

Governments must assume an appropriate role in the economy. We must expect governments to maintain an environment in which good economic performance can take place. We expect that governments will take steps to ensure that we can build on strengths and realize our potential. We expect that governments will balance the competing social and economic demands of society to ensure a profitable private sector and at the same time provide compassionate treatment for those who must rely on the public sector for many of their needs.

It falls to government to engage in some activities for which the private sector may have insufficient incentives, or for which it may be inappropriate to allow private management, as it would be with, for example, the prison system. We want good performance from governments in their service delivery roles, and this means that programs will be delivered efficiently, that appropriate amounts of service will be produced, and that resources will not be wasted.

A major role of government involves the redistribution of income through direct transfers such as social assistance programs, or through programs which protect or promote some actors in the economy, as for example marketing boards or industrial incentives. We expect that these transfers will be fair and sensible---that they do not reward people for inactivity, that they do not promote inefficiency, and that they do not erode our future.

Our tax systems must not disrupt the functioning of the economy either by unfairness, instability or by impeding our economic strengths. We must ensure that our tax systems do not stifle individual initiative or impair the willingness to take risks.

Good economic performance demands stable price levels. We must not permit a recurrence of the inflation which dominated our economy in the last decade. In part, we must work to prevent compensation increases unwarranted by increased productivity, for these will fuel a new cycle of inflationary expectations. The more important issue for stable prices is responsible monetary and fiscal policies by governments. We must not allow government deficits to rekindle the fires of inflation.

To meet the challenge of improved public sector performance, both the private and public sectors need to understand each other's problems. There must be consultation between government and business on where government ought to be going, on how governments should be making budget choices, and on what the priorities of government should be.

Governments need to seek the advice of business and they need to listen to it. Business, for its part has to be willing to give its advice, and to do so within a framework of understanding of the particular problems that governments have.

Last year when we revised our oil royalties, we did so only after extensive consultations with the industry. We sought ways in which we could have the greatest boost in activity with the least impact on revenues. The result of our one-year oil royalty holiday for new wells has been a dramatic increase in exploration and development and the revenue gain from land sales has been significant. Consultation does work.

ROLE OF
THE
PRIVATE
SECTOR

Mr. Chairman, the private sector is the engine of our future growth and prosperity. The motivation of business is to be profitable, to use its resources wisely and to make an attractive return on investment for its owners and shareholders. I recognize that this is the underlyingly motivation of the private sector, and I affirm it as the legitimate, pre-eminent objective. I do so because it is the expectation of profits that creates new investment and with it new jobs and economic growth. We can achieve our social goals only if we have an economic system which is capable of generating the profit, income and wealth which allows us to direct resources to them. What society wants from business is that it be profitable so that all Canadians can realize their economic and social potential.

Jobs and growth require new investment. But investment is only undertaken in the expectation of a reasonable return. Investment has played a key role in the development of our country. Yet, in recent years, it may have appeared that Canada was no longer a good place to invest, because the value of risk taking and profit making were neither clearly understood nor appropriately rewarded. We must turn this attitude around, for investment, and the new productive activity it generates, are at the very heart of our future prosperity.

If we are to attract capital to Canada, investors must believe that we offer a favourable climate for investment---that our rules are fair and stable, that our taxes are reasonable and not subject to capricious change, and that the government has a specific philosophy about the private sector which is supportive of profitable operations and growth.

It is for management that our hopes are highest for achieving improved performance from the Canadian economy. Our management must adapt to a new world environment. We must be able to ensure the production of high quality goods and services, to manage organizations under conditions of increasingly rapid change, and to respond quickly and flexibly to changing world demands. Management must focus upon expanding our capacity to produce efficiently and reliably.

The 1970's were a decade of "paper entrepreneurialism", of mergers and take-overs, and above all else the short-term "bottom line". Undoubtedly this action was profitable for some, but it made little contribution to the long-term stability and prosperity of our country. It did not create the new markets or the new productive capacity which we need now. The future will be vastly different. We must take a long-run view and concentrate on real results which create lasting improvements in the economy.

These, then, are the challenges that I believe face the Canadian economy. We must give prompt attention to today's problems and the longer term structural issues. Their successful resolution requires that governments, business and labour work together if we are to achieve the desired changes. On this point, it is obvious that squabbling among governments, or the unilateral imposition of direction by one order of government, is not the leadership that people want or deserve.

SPECIFIC I would like to turn now to the consideration of more
OPPORTUNITIES specific opportunities and challenges that we, in
AND Saskatchewan, believe to be fundamental ingredients in our
CHALLENGES provinces' economic prospects.

NATURAL
RESOURCES

First let us consider Saskatchewan's resource base. Next to our people, our greatest strength is in our natural resources, particularly agriculture and extractive resources. It is here that we have the greatest potential for growth, and this growth is of major significance for the Canadian economy. However, there are some impediments to reaching our potential, and we must meet these challenges to economic development.

I must emphasize that our objective is not simply to expand the extraction and exportation of the provinces' agricultural output and mineral resources. We must also focus on the importance of building additional, value-added, economic activity on the foundation of our natural resource base.

FOOD

Saskatchewan's agricultural industry is obviously a key to our provincial economic development and, as a result of the world-wide competitiveness of our products it must be a central element in any national economic strategy.

A few examples of resource utilization and markets for Saskatchewan's farm products demonstrate the potential for agricultural growth in the province. With a total of 49 million acres of improved land, the Saskatchewan resource represents fully 40% of total Canadian improved land. In 1983, nearly 16 million acres were left in summerfallow.

Increased crop production can occur even with current technologies through a reduction in summerfallow and increased fertilizer and chemical use, provided it remains economically feasible to do so. Future improvements in technology in areas such as genetic engineering will hasten the increase in crop production, diminish the soil deterioration problems we now are experiencing, and thereby contribute to Saskatchewan's long-term agricultural productivity.

Wheat is among the least expensive foods in the world, and as populations continue to expand around the world, less developed nations experiencing rapid population growth are particularly likely to turn to wheat to feed their people.

Saskatchewan has a considerable unimproved land base which provides the foundation for a large beef industry. That land base is not being fully utilized, leaving considerable room for expansion of the cattle industry as technologies develop and if the economics of the industry improve. Saskatchewan's large cow-calf sector, representing about one-quarter of the Canadian industry, provides the basis for much expanded feedlot and meat processing sectors in the province and elsewhere in Canada.

Saskatchewan's production of agricultural commodities relative to the size of the market in which these commodities are sold is a strength that should be noted.

For example, Saskatchewan produces three per cent of the world's wheat and much lower proportions of world production of other crops. The price of these grains is established in a world market. For beef, which is priced essentially on a North American market, Saskatchewan produces two per cent of the North American production.

Saskatchewan's small portion of the market for its farm commodities may at first seem to be a weakness, in that we are not able to exercise a pricing strategy in these markets. However, in terms of expanded production, Saskatchewan's minor market share ensures markets for all that the Province can produce without depressing prices.

An important element in expanding international market opportunities for the food we produce is that many third world countries experiencing rapid population growth have a limited ability to pay. Therefore, we may also need innovative export financing or barter mechanisms to expand international trade.

Saskatchewan has the potential to produce more and to sell more. How can we ensure that this full potential for agriculture is met?

There are three main ingredients to achieving our agricultural development potential. First, we must increase our input use, and this requires a stable and reasonably priced supply of inputs. Second, farmers must take advantage of improvements in technology. Third, the farm sector requires profitable and stable returns on its investment. Each of these approaches faces barriers to its accomplishment. Rather than list all of these impediments, let me proceed by way of a few examples.

In the areas of increased inputs to crop production, pesticides are increasingly used and are critical to maintaining and increasing crop yields. The federal government regulatory system for pesticide use is designed to ensure that chemicals are not dangerous to health and are environmentally safe. This is a desirable activity, but it is cumbersome and prolonged.

The pesticide regulatory system must be forward looking in order to anticipate problems and ensure that safe chemicals are available for weed, insect and disease problems. New problems emerge each year, yet no chemicals may be licenced to deal with them, even though suitable chemicals are in use elsewhere in the world. The pesticide regulatory process needs to be streamlined, and this will require the co-operation of federal and provincial agencies and the chemical industry.

There are impediments to the development and adoption of new technology in agriculture. This is an area where we can ill afford to fall behind. The annual returns to public sector research are at least 40 percent for wheat and at least 100 percent for canola. Yet Agriculture Canada's research spending has not even kept pace with the cost of doing research. We must review our programs of research in agriculture, for they offer enormous potential for our agricultural productivity and national economic growth.

Changing international market conditions are emerging as a barrier to the achievement of higher and stable returns to production. The international atmosphere has become more protectionist in recent years. The tariff walls of the European Economic Community and some Pacific Rim countries are prime examples. Increasingly, Saskatchewan must compete against highly subsidized domestic products.

We must emphasize free trade among the developed nations of the world. Canada should not bargain away valuable farm export markets in return for the protection of its own non-agricultural markets. Future negotiations must concentrate on lowering tariffs, for this will improve Saskatchewan's agricultural competitiveness to the benefit of Canada as a whole.

It is obvious that the opportunities for economic progress in agriculture are vast. So are the challenges that must be overcome if we, collectively, are to take full advantage of this resource.

MINERAL
RESOURCES Saskatchewan's mineral resource industries have a great potential for promoting economic development and energy security in Canada. While the current period of reasonable stability in this sector, by comparison with recent years, is a refreshing change, there remain substantial constraints that must be dealt with both by governments and by the industries involved.

Saskatchewan is a net energy source for Canada, producing over seven times the energy it consumes. The province is also a major exporter of resource commodities, selling potash, uranium, oil and sodium sulphate elsewhere in Canada, in North America, and overseas.

Development of our energy and mineral resources is affected not only by our provincial policies, but by many federal actions, and ultimately, by conditions in international markets. International marketing and transportation capacity and cost are key factors in the success of our industries. The design and stability of the pricing and fiscal regime, established to a significant extent by the federal government, also influence our international competitive position.

Our resources are typically large in national and world terms, and relatively underdeveloped. For example, known resources of potash would last for over a thousand years, if produced at current rates. Our lignite coal reserves have similar long-run potential, and are used mainly to generate electricity. The province has smaller reserves of natural gas, gold and other base metals, which offer significant opportunities for development during the next five years.

OIL

While Saskatchewan now produces some 10 percent of Canada's oil, the extensive heavy oil resource in the province can contribute a great deal more to meet Canada's energy needs. Indeed, heavy oil represents a key strategic opportunity for national energy security.

Stagnant prices, disappointing discoveries and technological constraints face all of the alternative domestic oil sources which Canada may depend upon. Discoveries in the Arctic have not met expectations. Economical tar sands production in the foreseeable future is now thought to be limited. The Atlantic offshore is not yet near production, although the resource potential is clearly there.

This leaves the mineable bitumen deposits at Cold Lake, and heavy oil in Saskatchewan and Alberta, as, arguably, Canada's best opportunities for rapid increases in production. Industry experts have stated that heavy oil production could increase by up to 200,000 barrels/day by the end of the century.

The key to unlocking this potential is the application of enhanced oil recovery methods to extract a higher proportion of the oil-in-place than can be recovered using primary methods. "EOR" is now becoming profitable in some of the Saskatchewan heavy oil sands. Further investment is needed to develop the technological know-how that will reduce costs of production, through a series of many small steps and innovations discovered in the lab and in the field.

Investment in heavy oil EOR is costly and risky. To attract private investment, assurances that markets will be available for the product must be made. At present, heavy oil cannot be processed in a Canadian refinery. It must be exported to the United States for upgrading in American plants or sold in limited quantities for the asphalt market. With financial guarantees from provincial and federal governments, Consumers Co-operative of Regina is planning to construct a 50,000 barrel a day upgrader in tandem with its Regina refinery, as a first step in providing a larger Canadian market for heavy oil, at a cost of \$500-\$600 million.

Why can EOR investment not be made on the strength of the much larger and more developed American market? While refineries were built in the U.S. northwest to process Canadian heavy crudes, and while they provide most of the market for current heavy oil production, the supply of Canadian crudes to these refineries was cut off in the middle of the last decade. Even now, exports of heavy crudes are restricted seasonally by the National Energy Board.

Why, then, has capacity not been expanded in Canada to use more of our heavy oils? The proportion of our heavy crudes sold in Canada has declined substantially during the last 5 years. Perhaps the most evident reason is that the import subsidy policy of the National Energy Program makes it more economic for refiners to import Mexican crude oil than develop the capacity to process Canadian heavy crudes. Thus we see the NEP working at cross purposes, by intervening in the market in such a way that the pricing signals it generates frustrate its stated aim of encouraging energy self-sufficiency.

More broadly, we are of the view that the Canadian regulatory structure for oil, as incorporated in the National Energy Program, is fundamentally out of phase with changing market realities. Industry, the federal government and provincial administrations are struggling to operate under a fiscal regime which was designed on assumptions which have proven to be radically wrong. Our government has stated the view publically, and restated here, that it is appropriate and timely for Canada to decontrol the production and marketing of oil, when the term of the current Energy Amendments run out at the end of 1984. It is only by working with the market rather than against it that we can achieve energy security for Canada within a reasonable time.

POTASH

The potash industry in Saskatchewan is also one of Canada's real export strengths. Saskatchewan's production represents 25 percent of world output. Our largest market is the United States, but offshore markets such as Brazil and China have assumed increasing importance in recent years. It is these countries to which we look for market growth and where we are concentrating our marketing efforts.

Potash markets are cyclical and highly competitive. At present, low prices for agricultural commodities prevailing around the world have flattened the demand for fertilizer and thus potash sales. Financial instability and lack of credit, in the wake of the energy price crunch and high interest rates in the early eighties, have reduced disposable income and thus the ability to buy of a number of Third World customers.

Our potash industry depends on being able to compete effectively in world markets. Federal trade development agencies are of fundamental importance in penetrating new markets in today's conditions. Aggressive marketing may require financing arrangements which enable Canada's exporters to compete with suppliers in other countries, who may have access to export credits, barter arrangements and a variety of other financing measures.

Saskatchewan is a low cost producer of potash but we face strong price competition from other sources because transportation is a high cost item for us. On average, transportation constitutes about 35 percent of the market value of our product when sold in the United States and 50 percent when sold in the offshore market. Other producing areas are able to take advantage of ocean transportation to ship not only to other continents, but also deep into the American Midwest, which is one of our prime markets. It is obvious that the cost of transportation is a fundamental factor in the growth potential for our potash industry.

URANIUM

Saskatchewan's uranium reserves, like those of potash, constitute a significant share of world supply and approximately half of assured Canadian reserves. The high grade of Saskatchewan uranium deposits and low cost mines give producers a strong competitive advantage on world markets. However, slow growth of the nuclear power industry has dampened the prospects for increased uranium sales in the short and medium term. Saskatchewan producers should be in a good position to improve their market share when demand for uranium strengthens in the early 1990s.

The federal government's policy of requiring yellowcake to be processed prior to export limits marketing opportunities for Saskatchewan uranium. Flexibility in the application of federal uranium processing policy will yield benefits to Canada as a whole; in the long run we want to process yellowcake in Canada, but we recognize that there are now some customers or markets from which we could be excluded because prior arrangements exist.

HUMAN
RESOURCES

Saskatchewan's strength is its resources, and foremost among our resources are the people of the province. But they must be equipped with the necessary skills to compete in the new economic world. Indeed, it is by having a highly educated and skilled labour force, capable of performing high quality, specialized work that we have the best chance of improving our standard of living. This raises a number of challenges for the training of our people.

SKILLS
TRAINING

We must have a labour force that is skilled and can remain so. This requires the capacity to retrain people as the demands and opportunities of the market place change, as they will with increasing rapidity. A prerequisite to having what we need is knowing what we need---we must improve our ability to forecast the skills that will be required in the future.

The capacity to provide lifelong training to the population requires a considerable elaboration on the training arrangements that now exist. We can no longer rely on training only at the beginning of the working career, or on a rigid insistence on formal credentials, or on a lock-step approach to the provision of education, or on only full-time attendance in traditional education settings.

While we will require an expansion of our training capacities, physical expansion will be the easiest part of the task. Training must also become more accessible to people outside of major population centres, and it must have a new focus on non-traditional recipients. More of the new training will occur at the place of employment. To some extent, emerging technology will help us with these issues.

Canada's native people must have the opportunity to enter the mainstream of our economy. Training is by no means the only thing that is required, for there are many other difficult issues to be addressed. But training is a significant component and it must be sensitive and flexible enough to accommodate the needs of native people.

Expanded training must take advantage of the many new technologies now developing. We must be prepared to use computers and telecommunications and other developments to provide people with new or enhanced skills. These resources must be widely available, in places as diverse as union halls, church basements and public libraries, to ensure widespread access to these technologies and the opportunities they offer.

We must find new methods of financing training. Governments alone will not be the sole financiers of education and training in the future. Individuals and employers will participate to a much greater extent in the choice of content, in the format and in the financing of training. Innovative approaches such as "skill development leaves" must be developed to support training.

YOUTH
UNEMPLOYMENT

The prospects for young people are a particular concern to me. Young people must come to the labour force with usable skills. But they need opportunities to see the world of work and to understand what the opportunities are for them so that they can make realistic choices about their training and their futures. It is now increasingly difficult for young people to get this early work experience, and we must remedy this. Business and government must be willing to help young people to learn on the job, to understand what their options are, and to discover what their own strengths in the workplace are.

We must also be concerned about the ongoing training of the labour force as circumstances and technology change.

ADAPTING
TO
TECHNOLOGICAL
CHANGE

How can we expect people to participate willingly in the adoption of new technology or the changing of the rules of work, if they feel that they will only be losers as a result of participating? The current pre-occupation with job security is well founded: people often see no personal benefit if they collaborate in improving productivity. What they perceive is that they will become redundant, with no alternatives, and no way to support themselves and their families. People who are vulnerable to job displacement must have training opportunities which equip them for the emerging opportunities in the work force.

Not only must we ensure that our people have the necessary skills to support themselves and to allow Canada to compete successfully in a new economic world, but we must also rethink the circumstances in which these skills are put to work.

MOBILITY
OF
RESOURCES

An efficient economy requires the free flow of resources. Labour, capital and goods must be free to move easily among different parts of the country. To facilitate the mobility of labour we must re-examine the degree to which provinces protect their markets. I grant that there are circumstances where some degree of protection is warranted, and I assert the rights of provinces to take some actions to enhance their economies. However, we run the danger of having our economy badly fragmented by excessive restrictions on the mobility of resources.

Labour mobility can be enhanced by ensuring that there is more standardization across the country in requirements for training, certificates and licences. A particular impediment to labour mobility, not only among provinces, but also among occupations, is the lack of pension portability which limits people's opportunities and their willingness to move to new areas of employment where their skills are in demand.

The lack of uniform labour standards across the country requires employers to comply with a variety of differing rules about such things as benefits and occupational health concerns; this increases the costs of production and impairs our national competitiveness.

WORK
SATISFACTION

We must find ways to improve the level of worker satisfaction and commitment to work. Indeed, management and labour must be more committed to each other so that we can improve quality and undertake innovation. Our international competitive position depends greatly on the commitment of people to their work since this is so fundamental in ensuring efficient production and high quality goods and services. We should explore the avenues that other countries have found productive: more democracy in the workplace, more personal autonomy and responsibility, and improvements in the quality of working life generally.

INDUSTRIAL
RELATIONS

While employees must have the right to bargain meaningfully over wages and conditions of employment, disputes over these matters must not be permitted to bring large segments of the economy to a halt. We are a world leader in working time lost to industrial disputes, and this damages our ability to perform reliably for our customers. We must find new approaches in collective bargaining techniques and innovative dispute settlement mechanisms.

Our labour relations must be improved. Managers must have a sound understanding of collective bargaining and labour legislation, and greater facility in dispute resolution. More importantly, management and labour must seek to improve the commitment of employees to their work and to their relationship with each other.

MANDATORY
RETIREMENT

We face major demographic changes in the years to come. The proportion of people over 65 will grow, and the number of older people who depend upon those who are employed will increase greatly. We should review our tradition that people must withdraw from the work force when they reach a particular age. We will have to develop arrangements for older workers which do not limit their ability to continue working. Older workers may wish to have job sharing opportunities or to move to less demanding jobs without the stigma of demotion. The older worker is experienced and often highly committed to the employer; many will wish to continue working but at terms which allow more leisure and fewer demands. Older workers will increasingly become a valuable resource whom we cannot arbitrarily discard at 65, and we must rethink the employment arrangements that can apply to them.

TECHNOLOGICAL
CHANGE

Technologically based industries have the potential to provide many new jobs in Canada. To realize this potential we must have the capacity to assess our technological opportunities and develop them.

Accomplishing this requires an increased level of awareness of technological possibilities among industries, government and the population generally. We require a climate that is favourable to innovative activity, and we should look to a national, organized Research and Development effort to lead this growth.

Our dependence upon the technology of other countries, particularly the United States, and the high degree of foreign ownership reduce our capacity to participate in the new technology. As we develop our own capacities, as we must, we shall have to be prepared to nurture our infant industries until they are sufficiently mature to compete in an international environment.

Small firms may very well have an advantage in the innovative process, and we must promote this source of growth. But small firms may need special assistance to bear the risks of research, and the uncertainties of developing commercially useful results. Small firms can benefit from marketing assistance, access to technical advice, and financial support.

We must pay particular attention to the capacity of small firms to deal with the complexities of government support so that it does not deter them from seeking assistance.

Our universities will continue to be a major source of new knowledge. They are a most valuable resource and we must encourage their future development. But we must continually review the balance between the need to enhance the output of socially useful results from universities and the autonomy which they have traditionally enjoyed.

Canadians will not unlock nature by themselves. As well as developing new technology we must adopt the findings of others outside Canada and modify them to suit our circumstances. We have to be prepared to acquire new technologies from a variety of sources and to spread their use through our economy.

A national technological initiative will require financing; some will come from government sources, and some must come from the private sector. This will require an assessment of the degree to which we wish to give special incentives, through grants or tax expenditures, to this activity.

Technological innovation will open countless creative possibilities for individuals and business. At the same time, adoption of these innovations will raise concerns that may inhibit the possibilities. Let me elaborate on this point. Speculation that two million jobs may be lost by the 1990's raise people's fears that they will be discarded in the information revolution. If people believe that they will lose their jobs, or see the most interesting parts of their work disappear, or expose themselves to health hazards in the workplace, then there will be hostility towards the technological revolution which could limit the benefits or carry significant costs. It is imperative, therefore, that we be as conscious of the need for planned implementation as it is to identify the technological innovations in the first instance.

CONCLUSION

Mr. Chairman and Commissioners, we have no lack of opportunities, for we are among the most fortunate countries in the world. The real challenge that we face is the wise management of our opportunities---the ability to chart our future, to gain commitment to that course, and to obtain the national will to move forward to realize it.

My emphasis today has been on the need to keep our economy competitive in the international market place. But increasing our competitiveness means that some people in uncompetitive industries or locations must adjust or remain unemployed.

On that point, I am deeply concerned by the economic outlook that unemployment will remain high even with a fairly strong recovery. I understand the concept of "structural unemployment" to refer to the type of situation where the new jobs becoming available and the people unemployed simply do not match.

We must not accept this outcome nor can we avoid the necessity of becoming more competitive. I have spoken of the training and mobility and other initiatives that can help avoid such structural problems. But that may not be sufficient.

We must also ensure that our safety net programs --- U.I.C. and social assistance --- do not destroy the initiative to seek out new and perhaps different, employment or training. These programs are currently aimed almost exclusively towards the objective of income support. But I believe that we must seek ways to use that same money to do even more by providing training or temporary work experience in the event of unemployment.

I wish to conclude by restating the major positions we must take if we are to meet the challenges which face our country.

... government cannot solve all the problems. The appropriate role for government is to foster a favourable economic climate and to undertake those programs which are clearly not suitable for the private sector.

... the private sector will be the engine of our future growth. We must create an environment for business that encourages growth, stimulates the creation of meaningful new jobs, and supports a renewed competitive vigour.

... our leadership must work together to develop our future. Governments must return to effective co-operation with each other. The private sector and government must understand each other's problems, and they must find ways to reach productive solutions.

... we must build on our strengths. The shot-gun approach doesn't work. We have a rich abundance of opportunities, more than enough to ensure the economic outcome that we all seek. The task ahead is to generate a spirit of national purpose and co-operation so that we recognize our strengths, and can build on them.

... what really matters is forging a national commitment to move forward. Undoubtedly, the institutional arrangements in our country can be improved, and we should continue to work together to solve these problems. But institutional arrangements, by themselves, are not the solution. Instead, our future lies in our willingness to work together as Canadians to meet tomorrow's challenges.

Thank you very much.

POOR

QUALITY

ORIGINAL

